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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 17 2004

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**Report Highlights:**

\* Supreme Court Ruling on Canola Gene Patent Favors Monsanto \* Parliament Rules Meat Packers in Contempt \* 2003 Farm Income Was Lowest in 25 Years \* Decline in First Quarter Farm Cash Receipts \* Cattle Receipts Plunge; Hogs and Crops Higher \* Program Payments Fall in 2003 \* Prairie Crop Updates \* Corn Plantings Delayed in Ontario \* Import Restrictions Lifted on U.S. Honeybee Queens

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**HISTORICAL SUPREME COURT RULING ON GENE PATENT FAVORS MONSANTO:** The Supreme Court of Canada made biotechnology history ruling 5-4 that a Saskatchewan farmer violated a patent Monsanto Canada Inc. held on genes of its genetically engineered canola. The ruling is considered to have global importance to the biotechnology industry in agriculture and other fields. The case centered around the patent infringement of Monsanto's Roundup Ready canola and Monsanto's claim for protection for the genes and certain modified cells. The litigation began in 1997. Monsanto found its genetically engineered canola growing on Percy Schmeiser's farm from seed he had saved. Normally, Monsanto licenses farmers to use Roundup Ready Canola, at a cost of about C\$15 per acre. Carl Casale, a Monsanto V.P. said the decision shows a genuine regard for technological innovation, and Canada has sent a strong message in terms of respect for intellectual property to international investment. The decision was hailed by Canadian Canola Growers Association (CCGA) which was an independent intervener in the Supreme Court appeal between Percy Schmeiser and Monsanto because of concerns that the outcome of the case could have jeopardized canola growers' access to biotechnology. Ross Ravelli, president of the CCGA was pleased that Canadian patent laws have been clarified. He said the industry can now move forward with confidence that Canada will continue to attract investment in research and development of plant cell technologies. The full text of the judgment is available under *Monsanto Canada Inc. v. Schmeiser* at: <http://www.lexum.umontreal.ca/csc-scc/en/>

**PARLIAMENT RULES PACKERS IN CONTEMPT FOR REFUSING TO PROVIDE FINANCIAL RECORDS:** Canada's Parliament, led by the House Agriculture Committee, took the unusual step of finding several meat packers in contempt for refusing to handover their financial records for 2002 and 2003. The contempt finding stems from the alleged failure of Cargill and Tyson Foods, two of the largest meat packers in Canada, to provide financial statements, including profit and margin information for 2002 and 2003, in order to back up their claims that they did not make excessive profits from the BSE crisis. The agriculture committee recommended a fine totaling C\$250,000 per day until the companies produce the records. While it is likely that Parliament will dissolve for the national election before the fine is actually levied, Liberal MP's have promised to resurrect the issue after the start of a new Parliament. *Comment: It is interesting to note that, by demanding additional financial transparency from private companies like Cargill under the threat of substantial fines, Canada may actually end up hurting the Canadian Wheat Board's (CWB) long-standing justification for refusing to open up its own financial records to closer examination. The CWB has long argued that it cannot be forced to open its books because of the strict need to keep financial and commercial information confidential.*

**LAST YEAR'S FARM INCOME WAS LOWEST IN 25 YEARS:** The net cash income of Canadian farmers fell to its lowest level in more than 25 years in 2003 following back-to-back droughts that reduced grain and oilseed production and the market disruptions caused by the BSE crisis. Statistics Canada reports that net cash income, the difference between farmers' cash receipts and operating expenses, plunged 43.3% to \$4.2 billion, the second consecutive annual decline. This level was 37.2% below the previous five-year average, from 1998 to 2002, and the lowest since 1977. Prairie farmers were hardest hit. Net cash income plunged 72.3% in Alberta, 69.4% in Saskatchewan and 51.2% in Manitoba. Only three provinces recorded gains: Newfoundland and Labrador, Quebec and British Columbia. Despite record high program payments (2003), lower receipts for crops and livestock dragged down the total farm cash receipts, while farm operating expenses rose 3.7%. Inputs, such as fertilizer and lime, machinery fuel, commercial seed and pesticides-contributed to the higher expenses.

**DECLINE IN FIRST QUARTER FARM CASH RECEIPTS:** According to Statistics Canada, farm cash receipts for the first quarter of 2004 fell 2.6% to C\$8.9 billion compared to a year earlier. Despite the decline, total cash receipts for January to March 2004 were 3.5% above the previous five-year average between 1999 and 2003. Revenue from livestock fell 11.9% to C\$4.1 billion, the biggest first-quarter decline on record. However, receipts from crop sales rose 18.7% to C\$3.7 billion, their highest level since 2000. Farmers received C\$1.1 billion in program payments during the first three months of 2004, down 18.4% from last year's record. Despite the decline, program payments remained 56.2% above the average of C\$728 million for the previous five-year period.

**CATTLE RECEIPTS PLUNGE; HOGS AND CROPS HIGHER:** Cattle and calf receipts fell 35.6% in the first quarter of 2004 to C\$1.2 billion as total marketings and prices tumbled in the wake of the BSE ban on Canadian cattle and beef exports. In addition, slaughter cattle prices fell 27.6% because of the reduced international demand for Canadian beef products following the ban on exports. Meanwhile, hog producers had cash receipts of C\$926 million, up 9.2% from the same period a year earlier. The number of hogs exported to the U.S. between January and March totaled more than 2.2 million head, up 48.0% from a year ago. Receipts for hogs sold for domestic slaughter rose 4.6% as prices began to rebound from their low levels at the end of 2003. Crop receipts rose 18.7% to C\$3.7 billion, the first increase for this period since 1998. Production of grains and oilseeds returned to more normal levels in 2003. Production of wheat (excluding durum), barley and canola jumped about 60% from the drought-stricken levels in 2002. Deliveries of most major crops were up substantially between January and March this year, compared with the same period a year earlier. Canadian Wheat Board (CWB) payments on wheat and barley also contributed to the increase in crop receipts as the timing of the payments came into play this year compared with last year.

**PROGRAM PAYMENTS FALL SHARPLY:** Crop insurance payments plummeted from the record levels of 2003, falling 69.0% to C\$327 million in the first three months of 2004. Insect infestations coupled with the hot, dry weather affected the 2003 crop season. The Net Income Stabilization Account (NISA) continued to deliver record amounts as farmers C\$369 million from the government portion of their account. This was a C\$232-million increase over the same period last year, and more than triple the previous five-year average of C\$107 million. There is speculation that the increase may have been the result of producers beginning to wind down their accounts in preparation for the new Canadian Agricultural Income Stabilization (CAIS) program, which replaced the NISA program. Payments from income disaster programs increased to C\$123 million, up 13.4% from the same period in 2003. Gross payments under provincial stabilization programs soared to C\$94 million. The majority of this increase may be attributed to additional Quebec payments delivered in response to weakening prices, coupled with the timing of the payments delivered in the first quarter of 2003.

**MANITOBA CROP UPDATE:** The provincial department of Agriculture reports as of May 25 the **Southwest** received cool temperatures and rainfall amounts from 29-42 mm. Cereal crop seeding is 70 - 80% completed south of the TransCanada Hwy., and 60-75% completed to the north. Oilseeds are 40 -60% done south of the highway and 15-45 % complete to the north; Corn acres are 20-40% completed. In the **Northwest:** cool weather and rain highlighted the past week's weather. Most of the region had a total of 20-30 mm of precipitation. Seeding operations are about 75% completed, with canola the principal crop remaining to be seeded. In the **Central** region, most districts reported 25 mm of rain in the last week. Soils are generally saturated and standing water is common. Early-seeded cereal and canola crops are beginning to emerge, but the cool, wet conditions this spring have resulted in "patchy" emergence patterns in many fields. The recent moisture will delay seeding at least another week. **Eastern:** Despite cold soil temperatures, crops are still germinating and developing. Almost 60% of seeded cereal crops are emerging, and although canola is starting, emergence is uneven in many fields and producers are concerned about the potential for seed rot and seedling blight. Winter wheat is reported to be in good to excellent condition.

**SASKATCHEWAN CROP CONDITIONS:** According to the Saskatchewan department of Agriculture, farmers in that province have seeded 68% of the 2004 crop as of May 23, slightly ahead of the five-year average of 65 %. Seeding progress ranges from 76% in the northern region and 72% in the central region to 51% in the southeast. Rainfall has slowed seeding activity in most southern regions. Precipitation amounts averaged 29 mm in the southeast and 25 mm in the southwest, with many areas receiving more than 50 mm. However, the west central and northwest regions are in need of additional moisture.

**ALBERTA MOISTURE & SEEDING PROGRESS:** According to Alberta Agriculture, the 2004 provincial crop season began under cool, dry conditions. Lack of soil moisture reserves, particularly at the sub-surface level, is reported in many areas. Provincially, surface moisture is rated as 17% poor, 46% fair, 32% good, and 5% excellent, while rating of sub-surface moisture is 39% poor, 35% fair, 24% good, and 2% excellent. Rain showers and warm temperatures are needed, although surface moisture level is adequate for seed germination in most areas. Seeding progress in Alberta, as of May 25, is estimated as 75% complete, slightly ahead normal. Seeding progress by crop is as follows: spring wheat 85%, durum wheat 90%, oats 45%, barley 65%, canola 80%, and dry peas 95%.

**ONTARIO'S MAJOR CORN REGION SUFFERING PLANTING DELAYS:** Growers in several of Ontario's most important corn growing counties in southwestern Ontario are very concerned about persistent and heavy rains that have delayed plantings and have some emerging corn crops under water. Whereas in the drier eastern region of the province corn planting is 95% complete, there is high variability of planted area in the important southwest region with some regions reporting only 30-35% complete. Producers are hopeful that cool, but drier weather forecast for the next three days will improve seeding prospects for next week.

**IMPORT RESTRICTION LIFTED ON U.S. HONEYBEE QUEENS:** The Canadian Food Inspection Agency (CFIA) has enacted regulations to permit U.S. honeybee queens from the continental U.S. and their attendants to be imported into Canada. The prohibition for importing any other honeybees from the continental U.S. will remain in effect. Canada has prohibited the importation of honeybees from the continental U.S. since the outbreak of varroa mite in U.S. honeybees 1987. Canada's Honeybee Importation Prohibition Regulations were continually renewed and effective for three or four years but in 1999 were renewed with the proviso that the CFIA would review annually the health status of honeybees in Canada to ensure that continuing the ban was appropriate. Since the last extension of the prohibition in 2000, the health status of Canadian honeybees has deteriorated and currently, treatment resistant varroa mites are known to exist in at least seven (7) provinces and antibiotic-resistant American Foul Brood occurs in western Canada with the exception of Saskatchewan. Canadian beekeepers have faced increasing difficulties in obtaining the necessary number of honeybee queens for the honey production and pollination seasons due to winter losses and limited availability from Hawaii, New Zealand and Australia. Importing honeybee queens from the continental U.S. will help Canadian beekeepers replenish their stock with a minimum risk of introducing new bee diseases.

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